



2013 Legislative Session
House State Administration
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Montana Public Employees' Retirement Board

HB 105

Testimony before the House State Administration Committee
Supporting House Bill 105
February 4, 2013

House Bill 105 is the Public Employees' Retirement Board's biennial general revisions or "clean-up" bill. The proposed legislation was reviewed by the State Administration and Veterans' Affairs Interim Committee

Between each legislative session, the Public Employees' Retirement Board and its staff compile legislative changes needed to properly administer its eight retirement systems. We have been asked why there is a bill every year - aren't we ever going to "get it right?" But the retirement field is an ever changing area. We must continually update our statutes to remain consistent with federal law requirements, to address changes required by new technology, and to amend statutes that no longer fit with our changing society.

The table distributed to the Committee provides a section-by-section summary of the Board's proposed changes. Title 19 of the MCA groups legislation applicable to all Board-administered systems in Chapter 2. Chapters 3, 5, 6, 7, 9, 13, and 17 contain statutes applicable to a single system. For example, Title 19, chapter 3 pertains to the Public Employees' Retirement System (PERS) only, while chapter 5 addresses Judges (JRS) and chapter 8 pertains solely to Game Wardens' and Peace Officers (GWPORS). If the same change is required in multiple retirement systems, those sections are grouped together and addressed as one.

I will highlight some of the proposed changes the Board believes significant. If you have questions regarding these or any of the other proposed changes, I will be available for questions.

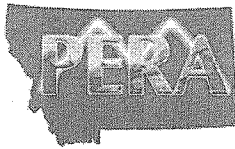
- **Bill Section 1 (19-2-303, MCA)** Rollovers are movement of money both in and out of the retirement
- **Bill Section 2 (19-2-403, MCA)** Allows Board to correct employer reporting errors, including capturing contributions that should have been paid into a different system. Currently, 19-2-903 allows this, but it is in a section related to errors in benefits, not contributions
- **Bill Section 3 (19-2-406) (pp. 9-10)** Our statutes were recodified in 1993. At that time, Title 19 chapter 2 was rewritten to apply to all systems administered by MPERA. Unfortunately, the disability process, which applies to all systems, was

not moved to chapter 2. We only recently discovered this oversight when a non-PERS member applied for disability more than 4 months after leaving employment.

Bill Section 35 repeals the existing statute since it applies only to PERS.

- **Bill Section 5 (19-2-706, MCA at pp.11-12) and Bill Section 10 (19-3-908, MCA at p. 18)** Any retirement system member subject to reduction in force and PERS members subject to previous retirement incentive programs, can opt to have their employer purchase up to 3 years of service credit as a retirement incentive. If the member so chooses, but subsequently returns to active service, the member must forfeit the years of service purchased by their employer. Currently, the employer is credited with the contributions paid for that service, less the total amount of benefit received by the member prior to returning to service. The Board would like to only reduce the employer's credited contributions by the amount of the benefit received which is proportionate to the amount of the service purchased. This seems to be fairer to the employer.
- **Bill Section 6 (19-2-801(2), MCA at pp. 12-13)** A recent Montana Supreme Court decision, Briese v. Montana Public Employees' Retirement Board determined that retirement system members who have named their spouse as a beneficiary cannot change that designation while in the midst of divorce proceedings. This proposed amendment codifies that decision into law.
- **Bill Section 8 (19-3-412), MCA)** Optional membership requirements are based on a fiscal year as opposed to a calendar year.
- **Bill Section 12 (19-3-1106)** Prevents retirees from returning to PERS-covered employment as an independent contractor unless terminated for at least 90 days and working less than 960 hours in a calendar year. TRS has this limitation already.
- **Bill Section 13 (19-2-801(7), MCA at p.21), Bill Section 20 (19-5-802 at p. 29), Bill Section 22 (19-7-503 at p. 30) and Bill Section 29 (19-8-1002 at p. 36)** PERS, Judges, Sheriffs and the Game Wardens' Retirement Systems allow a retiring member to elect 1 of 4 retirement benefit options. Option 1 is a single life payment. The retiree names a designated beneficiary to receive any accumulated contributions remaining on the member's death. Options 2, 3 and 4 allow the retiree to name a person to continue receiving a retirement benefit following the retiree's death. These sections are being amended to clarify how the remaining retirement benefit, after the member's death, is paid if there is no surviving designated beneficiary or no surviving contingent annuitant.
- **Bill Sections 14, 18, 25 and 28 (Sections 19-3-1501, 19-5-701, 19-7-1001 and 19-8-801, MCA)** Defines the often used term - Option 1 - in PERS, JRS, SRS and GWPORS as the unreduced retirement benefit paid to the member pursuant to the applicable formula, with no benefit to a contingent annuitant after death.

The Public Employees' Retirement Board urges your favorable consideration of HB105. I will be available for question. Thank you for your time.



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